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ABSTRACT

This course explores questions of why we have taxes and how they benefit people. Various other taxes (local, State and Federal, property, income, excise, and inheritance taxes) are dealt with. There is no specific prerequisite for this course, but it is recommended that students enroll in other consumer economics and business mathematics courses as a supplement. A pretest is included to determine whether the student has already attained the objectives of this course. The course consists of a list of 15 behavioral objectives, a detailed outline of the course content, suggested learning activities, evaluative instruments (tests, income tax problems, and grading), and resource materials for teachers and students. Also included is an appendix of suggested test items. (Author/BP)

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AUTHORIZED COURSE OF INSTRUCTION FOR THE QUINMESTER PROGRAM

TAXES

Business Education - 6463.02 and 5283.24 (New: 76[illegible])

Social Studies - 6463.02

DADE COUNTY PUBLIC SCHOOLS

DIVISION OF INSTRUCTION • 1971

OE 00 2068 Abstract

ED 096457

TAXES

Business Education—6463.02 and 5283.24 (New: 7614.02 and 7637.24)

Social Studies—6463.02

Written by Cecelia Luksa
And Approved by the Business Education Steering Committee
For Quinmester Courses

for the

DIVISION OF INSTRUCTION
Dade County Public Schools
Miami, FL 33132
1972

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I. COURSE TITLE—TAXES

II. COURSE NUMBERS

A. Business Education—6463.02 and 5283.24
(New: 7614.02 and 7637.24)

B. Social Studies—6463.02

III. COURSE DESCRIPTION

A. Synopsis
Explores questions of why we have taxes and how they benefit people; taxes at local, state, and federal levels; property, sales, income, excise, inheritance taxes.

B. Textbook
No state adopted textbook is provided for this course, but one of many state adopted texts in Business Mathematics, Consumer Economics, Business Law, Recordkeepping and other books and booklets could be used to supplement this course.

C. Occupational Relationships

Accountant	Lawyer
Revenue officer	Tax law specialist
Tax auditor	Special agent
Internal revenue agent	Estate tax attorney
Internal auditor	Treasury agent
Revenue representative	Internal revenue aide
Comptroller	Payroll clerk
Tax collector	General clerical worker
	Bookkeeper

D. Rationale
This course should be taken by all business students and is available to other students who want to learn about the relationship of taxes to wages and property.

IV. COURSE ENROLLMENT GUIDELINES

A. Prior Experiences Needed
It is recommended that students enrolled in this course take other consumer economics and business mathematics courses to serve as a supplement for this course. There is no specific prerequisite for Taxes.

B. Pretest
This test should be used to determine whether the student has already attained the objectives of this course. It should also help the teacher determine individual placement within the class.

V. COURSE OF STUDY PERFORMANCE OBJECTIVES

Upon successful completion of this course, students will be able to—

1. explain in a paragraph the role of taxes in our society;

2. prepare an accurate individual income tax return with itemized deductions given the appropriate forms and information;

3. match the proper forms used in preparing income taxes when given a list of forms and definitions in an arranged order;

4. explain in a paragraph the role of the Internal Revenue Service;

5. explain in a paragraph how property taxes are determined and levied on property at the state and local levels;

6. identify from a given list of commodities and services those that are taxable at the federal, state, and/or local level;

7. match a given list of business and service taxes to the method by which they are taxed;

8. match a given list of property taxes from an estate, an inheritance, and a gift to the method of taxation (federal, state, local);

9. compute the social security taxes an employee and employer must pay on a given gross income using given tables and be able to determine the maximum amount of social security taxes they must pay during one year;

10. compute the state and federal unemployment taxes required of an employer for a given payroll using current rates;

11. list three social security insurance programs that are supported by social security taxes;

12. identify and compute hidden taxes in a given case;

13. recognize instances of double taxation by selecting from a given number of tax situations those that contain double taxation;

14. identify whether five given special taxes are levied by the federal, state, or local government; and

15. match the following terms with given definitions:

millage	excise tax	estate
flood control districts	duty	return
FTE	IRS	exemption
bond	donor	withholding
accountability	FICA	assessment
workmen's compensation	license	exclusion
legal document	law	declaration

VI. COURSE CONTENT

A. Equipment and Supplies
   1. Basic needs
      a. Desk for each student
      b. Publication 21: Understanding Taxes for the current year provided by IRS for each student
      c. Paper
      d. Pen
      e. 1040 forms and supporting forms
      f. Dade County and Municipal Tax Information available at the Dade County Tax Assessment Department
      g. "Information on Florida Taxes," Florida Comments, available at the Florida Department of Commerce, Tallahassee
   2. Supplementary needs
      a. Movie projector (16mm)
      b. Overhead projector
      c. Opaque projector
      d. Screen
      e. Supplementary books, charts, and other materials

B. Introduction to Taxes
   1. Definition
   2. Purposes
   3. Importance
   4. Benefits and responsibilities of citizens

C. Federal Income Taxes
   1. Who must file a return
   2. Social security number
   3. Forms W-4 and W-4E
   4. W-2 Form
   5. Filing a Form 1040 for a refund with income under $1,700
   6. Filing a Form 1040 for a refund with income over $1,700
   7. Determining taxes using Tax Tables 1-13
   8. Determining whether to file a separate return or a joint return for a married couple
   9. Reporting dividend and interest income
   10. Claiming the dividend exclusion
   11. Reporting other income
   12. Itemizing deductions
      a. Importance of keeping records
      b. Using your car for business purposes
      c. Union or professional expenses
   13. Form 1040 when tax is due
   14. Withholding exemptions
   15. Adjustments to Gross Income
   16. Adjustments from Gross Income
   17. Tax Tables XYZ
   18. Supporting schedules
   19. Form 1040-ES--Declaration of Estimated Taxes--who files, when, and how

VI. COURSE CONTENT, Continued

20. Additional miscellaneous information helpful in computing income taxes
21. Summary of major changes in the current year

D. Social Security, Federal Unemployment, and State Unemployment Taxes
   1. Social Security Taxes
      a. F.I.C.A.
      b. Unemployment insurance
      c. Old-age, survivors, and disability insurance
      d. Health insurance for aged
      e. Social security number
      f. Records
      g. Eligibility
      h. Computation of social security taxes
      i. Maximum to be paid
   2. Federal Unemployment Tax
      a. For administrative expenses
      b. Employer's responsibility
   3. State Unemployment Tax
      a. Requirements for compensation
      b. Employer's responsibility

E. Property Taxes
   1. State
      a. Real and tangible personal property taxes
      b. Homestead exemption
      c. Motor vehicle license tax
      d. Intangible personal property tax
   2. Local
      a. Metropolitan Dade County Home Rule Charter
      b. Tax exemptions for homesteads
      c. Real estate taxes
         (1) City
         (2) County
      d. Tangible personal property tax
      e. Intangible personal property tax
      f. Special taxing districts
         (1) Florida control district
         (2) School
         (3) Other
      g. Procedures for objecting to a tax assessment
      h. Street and sidewalk or sewer improvement and garbage taxes

F. Sales and Commodity Taxes
   1. Federal
      a. Excise
         (1) Tobacco, liquor, gas
         (2) Hidden taxes

VI. COURSE CONTENT, Continued

b. Import—customs duties (tariffs)
(1) Purchases in excess of $100
(2) Protective tariffs

2. State
a. Retail sales
b. Motor vehicles
c. Transient rentals
d. Rental tax
e. Telephone and telegraph services
f. Electric power or energy sold
g. Certain fuels sold to residential households
h. Gasoline taxes

3. Local
a. No local retail sales tax
b. Utilities tax

G. Business and Service Taxes
1. State
a. Occupational license
b. Motor vehicle license
c. Driver's license
d. Franchises

2. Local
a. Building permits
b. License to do business
c. Other

H. Estate, Inheritance and Gift Taxes
1. Estate tax
a. Federal
(1) Deductions
(2) Exemption after deductions
(3) Taxable amount 3%-77%
b. State—no duplicating estate or inheritance tax in Florida

2. Gift
a. Federal
(1) Exclusion, $3,000/year
(2) Donor—lifetime exemption, $30,000
(3) Rates 2 1/4% under $500
57 3/4% maximum in excess of $10,000,000
b. State—none in Florida

I. Special Taxes
1. Stamp taxes—tax on legal papers
2. Licenses—hunting, fishing, animals, etc.
3. Value-added tax
4. Corporation profit tax

VII. SUGGESTED PROCEDURES, STRATEGIES, AND LEARNING ACTIVITIES

A. Course Strategy and Method

In addition to reviewing all of the student and teacher resources listed in this course of study, the teacher should visit the public library and the university law library to increase his own store of information.

The methodology to be utilized should be directed toward an understanding of the tax structure on the federal, state, and local levels with emphasis on federal income taxes.

Group discussion, lecture, individual instruction, special panel discussions, workshops, individual reports, written tests, and guest speakers are suggested.

A pretest will reveal weaknesses and strengths of individual students. Only those students who need a certain lecture should be required to attend. Other students may be doing independent work. The teacher will need to select available instructional materials for components of this course and prepare study sheets for independent work.

B. Introduction

The lecture method may be used to introduce the students to the federal, state, and local tax systems.

Students can discuss the history of our federal tax system, the reasons we have taxes, what determines our federal spending, and where our tax dollars go. A special panel could be set up to discuss government spending of our tax dollars on various federal programs.

How the income tax laws affect the student and who must file a return should be discussed. The student should also become familiar with the different forms used in our tax system. Samples of the SS-5 Application for Social Security Number, a social security card, a Form W-4 Employee's Withholding Exemption Certificate, Form W-4E Withholding Exemption Certificate, a Form W-2 Wage and Tax Statement, and Form 1040 Individual Tax Return should be provided for all students. These forms could be placed on a bulletin board for close inspection by students not familiar with these forms.

C. Federal Income Taxes

Sufficient problems in computing income taxes should be offered to enable the student to file accurate returns in the future. Some of those are available from IRS. Problems for a variety of pupil levels should be prepared by the teacher.

The student should be able to work at his own pace on computational problems to enable him to have a feeling of competency in this area.

Workshops can be set up for each student to prepare 1040 Forms and determine the correct tax in different situations using the tax tables. It should be stressed that returns must be complete and accurate so that the refund will not be held up by the IRS.

Very low-ability students will not understand supporting schedules and will never use them. The teacher should use judgment in assigning this study.

Special suggested projects for students can include:

1. preparation of bulletin board displays illustrating the different types of federal taxes, the many different forms used in preparation of taxes in different situations, or a display of cartoons on taxes found in local newspapers and periodicals;

2. keeping a special notebook of articles on taxes found in newspapers and periodicals;

3. selection of a group of the best students in the class to help other students in school prepare their returns during the filing period;

4. preparation of special reports on the different areas of our federal tax system from information in the school library.

Outside speakers can be utilized from the IRS and local CPA firms as a successful adjunct in learning more about taxes and career opportunities available in the government and in private accounting firms.

D. Social Security Taxes and Unemployment Taxes

Oral discussion should be conducted on Social Security Taxes emphasizing the Federal Insurance Contributions Act, benefits of social security, eligibility, and maximum to be paid.

Computational problems should be offered in social security taxes and unemployment taxes to give the student the ability to find the correct amounts without the use of tables.

Discussion could include who is required to pay State and Federal Unemployment Taxes. Requirements for this type of compensation could also be discussed.

VII. SUGGESTED PROCEDURES, STRATEGIES, AND LEARNING ACTIVITIES, Continued

E. Property Taxes

Flood control and the support of our school system based on property values are important to people in South Florida. Maps showing topography and dikes in the southern half of Florida will help the students understand the need for this important segment of our tax structure. The growth of our cities and our water supply are affected by it.

Schools are the biggest business in the state supported by tax funds—much of which comes from property taxes. Students should understand how the taxes are raised—Minimum Foundation Program, Full-Time Equivalency funding, funding through accountability, federal participation, restrictions on local taxes, and bond issues.

The procedures for objection to a tax assessment on property should be reviewed for future information.

Students can give individual reports on the various current state and local taxes. These reports can be written and/or given orally to the class as a whole. It is suggested that the entire class hear the individual reports so they can be more informed of our state and local taxes.

Outside speakers may be secured from the State Revenue Department and the metropolitan or city tax departments.

F. Sales and Commodity Taxes

Discussion of federal excise and import taxes can include examples of different articles that are taxed by this method.

An outside speaker from the Customs Office can be utilized for further information in this area including job opportunities.

A discussion of state and local sales and commodity taxes should emphasize why we have these taxes and what the monies are used for after they are collected.

It is suggested that students give extra reports on utilities taxes stressing why these taxes are so high and why they are necessary. A metro commissioner or power or telephone company representative would be good speakers. Care should be exercised in exploring <u>all</u> facets.

G. Business and Service Taxes

The different types of license fees and permits should be discussed. Emphasis should be placed on occupational licenses,

VII. SUGGESTED PROCEDURES, STRATEGIES, AND LEARNING ACTIVITIES, Continued

motor vehicle licenses, dirver's licenses, building permits, and business licenses.

Outside speakers in this area could be beneficial in giving detailed information on the different types of licenses.

H. Estate, Inheritance, and Gift Taxes

Federal estate, inheritance, and gift taxes should be discussed in detail since there are no duplicating Florida state taxes in this area. Emphasis can be placed on the taxable amounts, deductions, exemption after deductions for the federal estate tax and exclusions, rates, and donors of gifts.

I. Special Taxes

The special taxes that should be emphasized are stamp taxes and licenses. Students can bring in samples of stamp taxes on legal documents and hunting and fishing licenses.

VIII. EVALUATIVE INSTRUMENTS

A. Tests

The teacher in composing the pretest and posttest should be sure to include all items listed in the objectives. The degree of completion required will depend on the students that are involved.

Included in the Appendix are suggested tests which can be used to evaluate the student's progress during the course and sample questions for a final test to evaluate the student's success in the course.

The suggested types of questions and problems to be included for evaluation in this course of study are objective, true-false, essay, fill-in, and computational problems. Business law and other materials will provide case studies.

B. Income Tax Problems

Problems involving completion of special forms and computation of taxes should be included as part of the evaluation of this course. Special tax projects can be set up for the students.

C. Grading

Grading may be on the basis of "Pass/Fail" or "A, B, C, D, F." Grades for identical results may vary because of student ability and effort.

VIII. EVALUATIVE INSTRUMENTS, Continued

Grading of the objective tests should be based on a standardized grading scale, but the student should be given the opportunity of being retested in the event of failure.

Grading of special projects may be on a contractual basis for each individual.

Evaluation of the preparation of the income tax forms should be on the basis of proper forms used, accuracy, and neatness of work.

It should be kept in mind when evaluating oral reports whether the topic was covered thoroughly, whether accurate information was given, and if the overall presentation included any audio-visual aides prepared by the student.

Grading of displays should be on appearance, appropriateness, thoroughness, and creativity.

IX. RESOURCES FOR STUDENTS

A. Textbooks

Huffman, Harry; Twiss, Ruth M.; Whale, Leslie J. Mathematics for Business Occupations, 3rd ed. New York: Gregg Division of McGraw-Hill Book Company, 1968.

McNally, A. E. and Adams, L. J. Business Arithmetic, 4th ed. Englewood Cliffs: Prentice-Hall, Inc., 1958.

Olson, Milton C. and McNally, A. E. Business and Consumer Arithmetic, 6th ed. Englewood Cliffs, Prentice-Hall, Inc., 1969.

Piper, Edwin B.; Gruber, Joseph; and Curry, Preston E. Applied Business Arithmetic for Personal and Business Use, 7th ed. Cincinnati: South-Western Publishing Co., 1959.

Piper, Edwin B.; Fairbank, Roswell E.; and Gruber, Joseph. Applied Business Mathematics for Consumer and Business Use, 9th ed. Cincinnati: South-Western Publishing Co., 1970.

Rosenberg, R. Robert and Lewis, Harry. Business Mathematics, 6th ed. New York: Gregg Division of McGraw-Hill Book Company, 1963.

Rosenberg, R. Robert and Lewis, Harry. Business Mathematics, 7th ed. New York: Gregg Division of McGraw-Hill Book Company, 1968.

Schneider, Arnold E.; Whitcraft, John E.; and Rosenberg, R. Robert. Understanding Business Law, 4th ed. New York: Gregg Division of McGraw-Hill Book Co., 1967.

IX. RESOURCES FOR STUDENTS, Continued

A. Textbooks, Continued

Warmke, Roman F.; Whyllie, Eugene D.; Wilson, W. Harmon; and Eyster, Elvin S. Consumer Economic Problems, 8th ed. Cincinnati: South-Western Publishing Co., 1971.

Wilhelms, Fred T.; Heimerl, Ramon P.; and Jelley, Herbert M. Consumer Economics, 3rd ed. New York: Gregg Division of McGraw-Hill Book Company, 1966.

Wilson, W. Harmon and Eyster, Elvin. Consumer Economic Problems, 7th ed. Cincinnati: South-Western Publishing Company, 1966.

B. Library Books Available

Barlow, Robin, et. al. Economic Behavior of the Affluent. Washington, D. C.: The Brookings Institution, 1966.

Bollinger, Lynn L. Effects of Taxation, Investments Individuals. Cambridge, Mass.: Harvard University, Graduate School of Bus. Admin., 1953.

Fertig, Lawrence. Prosperity through Freedom. Chicago: Henry Regnery Company, 1961.

Goodes, Richard. The Individual Income Tax. Washington, D. C.: Brookings Institution, 1963.

Greisman, Bernard, Editor. J. K. Lasser's Tax Institute—53 New Plans for Saving Estate and Gift Taxes. New York: Doubleday & Company, 1969.

Last, Jack, L.L.M. Everyday Law Made Simple. New York: The Made Simple Books—Doubleday and Company, Inc., 1954.

Pechman, Joseph A. Federal Tax Policy. Washington, D. C.: The Brookings Institution, 1966.

Phelps, Edmund S. Private Wants and Public Needs. New York: W. W. Norton and Company, Inc., 1962.

Theobald, Robert. Free Men and Free Markets. New York: Clarkson N. Potter, Inc.

C. Booklets available from the Internal Revenue Service

A New Dimension in Taxation

Careers in Taxation

IX. RESOURCES FOR STUDENTS, Continued

C. Booklets available from the Internal Revenue Service, Continued

Circular F—Employer's Tax Guide

Instructions for Form 1040 and for Schedules A, B, C, D, F and R

Publication 21: Understanding Taxes

Publication 22: Farm Edition

Publication 532: Tax Information for Students and Parents

Teaching Taxes

D. Other Booklets Available

The Brookings Institution, Washington, D. C. The Differential Price Effects of a Value-Added Tax, Reprint 150. 1968.

Consumer Education Programmed Learning Instruction Booklets, Unit XI, Consumer Taxes. Delta Pi Epsilon National Office, Gustavus Adolphus College, St. Peter, MN 56082.

Dade County
Dade County and Municipal Tax Information
Notice for Senior Citizens

National Consumer Finance Association, Educational Services Division, Washington
What Has Your Dollar Over a Barrel—Inflation, by Channing L. Bete Co., Inc., 1969.

Public Affairs Committee, Inc. 381 Park Avenue South, New York, N. Y. 10016
What Inflation and Tight Money Mean to You by Maxwell S. Stewart and Helene Duffy
Medicare—Benefits and Gaps; Social Security—Your Rights by Sidney Margolius

State of Florida
Information on Florida Taxes, Florida Comments. Florida Dept. of Commerce, Tallahassee.

Information for Tenants, Dept. of Revenue, Tallahassee.

Effect of Recent Changes in the Sales and Use Tax Law on Telephone and Telegraph Services Charged to Residential Households, Dept. of Revenue, Tallahassee.

Effect of Recent Changes in the Sales and Use Tax Law on Electric Power or Energy Sold to Residential Households, Dept. of Revenue, Tallahassee.

IX. RESOURCES FOR STUDENTS, Continued

D. Other Booklets Available, Continued

Effect of Recent Changes in the Sales and Use Tax Law on Certain Fuels Sold to Residential Households, Dept. of Revenue, Tallahassee.

Method of Assessments, State Law.

Procedures for Objecting to a Tax Assessment, Chapter 194, Florida Statutes.

E. Magazines and/or Periodicals and Newspapers

Finance Facts. National Consumer Finance Assoc., Educational Services Division, 601 Solar Building, 1000 Sixteenth Street, N. W., Washington, D. C. 20036.

Many national magazines may be used such as Time, Newsweek, etc., in finding articles on taxes.

The Miami Herald and the Wall Street Journal may be used in finding current articles on taxes.

X. RESOURCES FOR TEACHERS

A. Books

Teacher's editions including solutions and standarized testing materials and workbooks are available for the textbooks listed in Resources for Students.

Barlow, Robin, et. al. Economic Behavior of the Affluent. Washington, D. C.: The Brookings Institution, 1966.

Bollinger, Lynn L. Effects of Taxation, Investments Individuals. Cambridge, Mass.: Harvard University, Graduate School of Business Admin., 1953.

Bower, James B. and Langenderfer, Harold Q. Income Tax Procedures, 1971 ed. Cincinnati: South-Western Publishing Company, 1971.

Carson, A. B.; Carlson, Arthur E.; and Boling, Clem. Secretarial Accounting, 8th ed. Cincinnati: South-Western Publishing Company, 1967.

Douglas, Lloyd V.; Blanford, James T.; and Anderson, Ruth I. Teaching Business Subjects, 2nd ed. Englewood Cliffs: Prentice-Hall, Inc., 1965.

Economic Report of the President. (Annually) Council of Economic Advisors, Washington, D. C.: U. S. Government Printing Office.

X. RESOURCES FOR TEACHERS, Continued

A. Books, Continued

Facts and Figures on Government Finance, 14th Biennial Edition. N. Y. Tax Foundation, 1967.

Fertig, Lawrence. Prosperity Through Freedom. Chicago: Henry Regnery Company, 1961.

Groves, Harold M. Federal Tax Treatment of the Family. Washington, D. C.: The Brookings Institution, 1963.

Goodes, Richard. The Individual Income Tax. Washington, D. C. Brookings Institution, 1963.

Greisman, Bernard, Editor. J. K. Lasser's Tax Institute—53 New Plans for Saving Estate and Gift Taxes. New York: Doubleday & Company, 1969.

Heilbroner, Robert L. and Peter Bernstein. A Primer On Government Spending. New York: Random House, 1963.

Last, Jack. Everyday Law Made Simple. New York: The Made Simple Books—Doubleday and Company, Inc., 1954.

Pechman, Joseph A. Federal Tax Policy. Washington, D. C.: The Brookings Institution, 1966.

Phelps, Edmund S. Private Wants and Public Needs. New York: W. W. Norton and Company, Inc., 1962.

Pusinelli, Eric. Simple Facts About Your Income Tax, 1969 Ed. New York: Pusinelli Publications, 1968.

Stewart, Maxwell. The Taxes We Pay. New York: Public Affairs Committee, 1959.

Studenski, Paul and H. E. Kroos. Financial History of the United States. New York: McGraw-Hill Book Co., 1963.

Taxation-Florida-Law. Florida Development Commission, Florida Taxes. Tallahassee, 1966.

The Budget in Brief (Annually). Bureau of the Budget. Washington, D. C.: Government Printing Office.

Theobald, Robert. Free Men and Free Markets. New York: Clarkson N. Potter, Inc.

B. Other Booklets Available

List of other booklets available are under Resources for Students.

X. RESOURCES FOR TEACHERS, Continued

B. Other Booklets Available, Continued

Boehme, Edward C. "A Balance Sheet for the Value-Added Tax," Business Review. Federal Reserve Bank of Philadelphia, June 1966.

Federal Taxes. Report Bulletin 2, Supplement Vo. LIII. Jan. 13, 1972, Englewood Cliffs: Prentice-Hall, Inc.

"The Fine Art of Evading Your Income Tax," Moneysworth—The Consumer Newsletter, Feb. 7, 1972, New York, Vol. 2 #9.

Lindholm, Richard W. "The Value of the Value-Added Tax," AMS Professional Management Bulletin—Finance, Feb. 1970. pp. 7-11. Administrative Management Society, Willow Grove, Pa.

Schultz, Mindella. Teaching About: Taxation In the United States, No. 114, 1969. Joint Council on Economic Educ., 1212 Avenue of the Americas, New York, NY 10036.

C. Transparencies

Supplement to Education Age, 3M Transparency Originals, Vol. 2, Number 2, 1966. "Who Me? Teach Income Tax?" by Patricia Patsloff.

Transparencies of the different tax forms can be made by the teacher for demonstration purposes.

D. Wall Charts

Blown-up Form 1040 and Schedules A and B are available from the Internal Revenue Service.

APPENDIX

SUGGESTED TEST ITEMS

Income Taxes

1. An employee who is single, 67 years of age, not blind, and who supplies full support of his blind father, age 95, may claim _____ withholding exemptions.

   Answer: 2

2. An employee who is married (neither spouse is blind nor over 65) and has three children, two under age 18 and the other 19 and in college, can claim _____ withholding exemptions.

   Answer: 5

3. If a taxpayer files a tax return by mail, how can he prove that it was filed on time?

   Answer: Send it registered mail.

4. Fill in a Withholding Exemption Certificate using the following information:

   Michael J. Rodes, 512 Perish Avenue, Sweetwater, Florida. Single, claiming himself as an exemption. Social Security Number 627-07-6490.

5. John Jones had an income of $1400; his income tax withheld was $310.50. He is single and age 17. Is Mr. Jones required to file a return? Why?

   Answer: No, because he did not have an income over $1,700.

   Should he file a return? Why?

   Answer: Yes, if he wants a refund of the $310.50.

6. When may a husband and wife unite in filing a joint income tax return?

   Answer: If their taxable years begin on the same date, they are not legally separated by decree, and neither is a nonresident alien.

7. Would you use Tax Table I, II, or III if your income was $3,000, and you were single, claiming only one exemption?

   Answer: Tax Table I

8. Two copies of the W-2 Form are sent to you from your employer. What do you do with these two copies?

   Answer: Copy B is sent with your income tax return.
   Copy C is kept for personal records.

SUGGESTED TEST ITEMS, Continued

9. F.I.C.A. Taxes are payable only on wages up to _____.

   Answer: Teacher should look up current figure.

10. Our Federal Income Tax System is based on two actions by taxpayers:

    Answer: (1) individual self-assessment and
    (2) voluntary compliance with the tax laws

11. List five things a taxpayer buys with his taxes.

    Answer: highways, education, welfare, health services, military protection, retirement

12. The department of our federal government that collects taxes is called the _____.

    Answer: Internal Revenue Service

13. A student who does not expect to make over $1,700 may fill out a special form that will exempt him from having income taxes withheld from his paycheck. This form is known as the _____.

    Answer: W-4E Form

    Will social security taxes still be withheld?

    Answer: yes

14. What portion of interest income is taxable?

    Answer: all

15. Are dividends taxable? Explain "exclusion".

    Answer: Any dividends over $100 are taxable. By exclusion, we mean that the first $100 of dividend income may be excluded from your taxable income. (Teacher: This answer may change in succeeding years.)

16. Two miscellaneous deductions are—

    Answer: Casualty losses, union dues, professional dues and materials **(two of these answers)**

17. The five tests that must be met for a person to qualify as a dependent are:

    Answer: support test, gross income test, member of household test, citizenship test, and joint return test

18. File a 1040 return for yourself. Your total wages were $1,470 and the federal income tax withheld was $199.20. You are employed as a salesclerk. Use your own social security number and your own address. Use the 1040 form provided by your instructor.

    Answer: Student should fill out form completely; refund will be $199.20.

19. List the different classifications of deductions.

    Answer: Medical expenses, Taxes, Contributions, Interest, Miscellaneous Deductions

20. Mr. Ray Clarke is single and had a gross income of $8,200; he has no other dependents. His total itemized deductions equal $1,000. Should he itemize or take the standard deduction provided in the Tax Tables?

    Answer: Take the standard deduction because it is greater than his itemized deductions which will enable him to pay less taxes.